



DIRECTIVE 07-4

June 22, 2007

REAL PROPERTY TAX CREDIT AND TAX STATEMENTS YEARS 2007 AND 2008

Purpose. The purpose of this directive is to advise county assessors and treasurers of their responsibilities in the implementation of the Property Tax Credit Act, pursuant to 2007 Neb. Laws LB 367, sections 1 to 4. The Property Tax Credit Act provides a real property tax credit based upon the valuation of each parcel of real property compared to the valuation of all real property in the state. The total amount of the credit available for statewide distribution is \$105 million for year 2007 and \$115 million for year 2008.

Procedure and Implementation. It is the position of the Department of Property Assessment and Taxation that the credit applicable under the provisions of the Property Tax Credit Act shall be on the tax list of the county as prepared by the county assessor or county clerk pursuant to Neb. Rev. Stat. §77-1613 and §77-1615 (Reissue 2003). This will assure reconciliation between the tax list and the tax statements.

The credit is applicable to all taxable real property parcels.

- If the real property owner qualifies for a homestead exemption under sections 77-3501 to 77-3529, the homestead owner shall also be qualified for the relief provided in the Property Tax Credit Act to the extent of any remaining liability after applying the homestead exemption.
- The credit is applicable to the total value of a real property parcel that is part of community redevelopment project (TIF).
- The credit is applicable to the real property portion of centrally assessed railroads and public service entities. For centrally assessed companies recorded on the tax list by individual taxing subdivision, the tax credit shall be determined by using the county's total real property value for each company, i.e. each railroad branch line or each public service entity. The total credit shall then be apportioned to the respective individual taxing subdivisions based upon the company's real property taxes levied computed for each subdivision compared to the total real property taxes levied for the company. If a centrally assessed company is 100 percent personal property they will not receive the credit.
- The tax credit is applicable to the real property value as adjusted by any tax list correction made to the tax list for year 2007 and year 2008.
- The credit is **not applicable** to real property parcels acquired by Nebraska Game & Parks Commission for wildlife habitat and subject to the in lieu of tax, pursuant to section 37-335.

Note: The valuations used in the following examples are not actual certified numbers; they are merely examples for demonstrating the computations for the property tax credit.

Step 1. By September 15, the Property Tax Administrator shall determine each county's amount to be disbursed. The amount disbursed to each county shall be equal to the amount available for disbursement, \$105 million dollars in year 2007 and \$115 million dollars in year 2008, multiplied by the ratio of the total real property valuation in the county to the total real property valuation in the state eligible for the credit. The Property Tax Administrator shall certify these amounts to the State Treasurer and the county on or before September 15. The disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1 of 2008 and 2009 respectively.

Example:

State's Total Real Property Value: 130,000,000,000

County's Total Real Property Value: 1,600,000,000

County's Real Property Value as a percent of State's Total Real Property Value:

1,600,000,000 divided by 130,000,000,000 = .01230769

County's share of \$105 million tax credit:

\$105,000,000 times .01230769 = **\$1,292,307**

Step 2. The county treasurer shall determine the amount of property tax credit for each parcel in the county based upon the ratio of the valuation of the real property parcel to the total real property valuation in the county. For ease of administration, the tax credit for each real property parcel may be determined by using the state's uniform "rate of relief" as determined by the Property Tax Administrator, for year 2007 the rate of relief is calculated by taking \$105 million divided by the total real property value in the state eligible for the tax credit.

Example:

Real Property Parcel's Value: 100,000

County's Total Real Property Value: 1,600,000,000

Real Property Parcel's Value percent of County's Total Real Property Value:

100,000 divided by 1,600,000,000 = .0000625

Real Property Parcel's share of county's \$1,292,307 tax credit monies:

\$1,292,307 multiplied by .0000625 = **\$80.76 tax credit for the parcel**

OR calculate the "rate" of property tax relief/credit for each parcel in the county or the state:

County's rate of relief/credit per parcel:

\$1,292,307 divided by county's total real property value 1,600,000,000 = **.0008076**

State's rate of relief/credit per parcel:

\$105,000,000 divided by the state's total real property value 130,000,000,000 = **.0008076**

Or, \$80.76 tax credit per 100,000 dollars of value

Step 3. The property tax credit information shall be shown on the property tax list and the tax statement for tax years 2007 and 2008.

Step 4. If the real property owner qualifies for a homestead exemption under sections 77-3501 to 77-3529, the homestead owner shall also be qualified for the relief provided in the act to the extent of any remaining liability after the homestead exemption is applied. **If the credit results in a property tax liability on the homestead that is less than zero, the amount of the credit which cannot be used by the taxpayer shall be returned by the county treasurer to the State Treasurer by July 1 of the year the relief amount was disbursed to the county.**

Step 5. The property tax credit disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1 of 2008 and 2009 respectively. After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit levying taxes on taxable property in the tax district in which the real property is located in the same proportion that the levy of such taxing unit bears to the total levy.

See Attachment I for examples of tax due and tax credit computations.

APPROVED

/s

Catherine D. Lang
Property Tax Administrator
June 22, 2007

This is a PDF document from the Nebraska Dept. of PA&T web site.

Attachment I – Directive 07-4, Examples of tax due and tax credit computations.

ATTACHMENT I – Directive 07-4 Examples of tax due and tax credit computations**Tax credit computations for a real property parcels with homestead exemptions:**

Homestead Example 1: *If the parcel's remaining tax due after homestead exemption is equal to or greater than the tax credit, the parcel gets all of the tax credit.*

Taxable value before homestead exemption	75,000
Homestead value exempted	70,000
Taxable value after homestead exemption	5,000
Tax rate	1.95% or .0195
Tax due prior to homestead	\$1,462.50 (75,000 x .0195)
Tax exempt due to homestead	\$1,365.00 (70,000 x .0195)
Tax due after homestead	\$ 97.50 (5,000 x .0195)
Tax Credit	\$ 60.57 (75,000 x .0008076 rate of relief)
Remaining tax due	\$ 36.93

Homestead Example 2: *If the tax credit is larger than the parcel's remaining tax due after homestead exemption, the parcel gets only the portion of the tax credit that brings their tax bill to zero. The "unused" portion of the tax credit is returned to the State Treasurer.*

Taxable value before homestead exemption	75,000
Homestead value exempted	74,000
Taxable value after homestead exemption	1,000
Tax rate	1.95% or .0195
Tax due prior to homestead	\$1,462.50 (75,000 x .0195)
Tax exempt due to homestead	\$1,443.00 (74,000 x .0195)
Tax due after homestead	\$ 19.50 (1,000 x .0195)
Tax Credit	\$ 60.57 (75,000 x .0008076 rate of relief)
Tax Credit used to reduce tax due to 0	\$ 19.50 (lesser of 19.50 or 60.57)
Remaining tax due	\$ 0.00 (19.50 minus 19.50)
"Unused" Tax Credit to State Treasurer	\$ 41.07 (60.57 minus 19.50)

Tax credit computations on real property parcels in a community redevelopment project or tax increment financing (TIF):

TIF Example 1:

TIF parcel's base value	5,000
TIF parcel's excess value	70,000
TIF parcel's total value	75,000
Tax rate	1.95% or .0195

Tax due on total value	\$1,462.50 (75,000 x .0195)
Tax credit for total value	\$ 60.57 (75,000 x .0008076 rate of relief)
Remaining tax due for parcel	\$1,401.93

ALLOCATION OF TIF TAXES FOR BASE & EXCESS:

Tax due allocated to base value	\$97.50 (5,000 x .0195)
Tax credit allocated to base value	\$ 4.04 (5,000 x .0008076 rate of relief)
Remaining tax due on base	\$93.46

Tax due allocated to excess value	\$1,365.00 (70,000 x .0195)
Tax credit allocated to excess value	\$ 56.53 (70,000 x .0008076 rate of relief)
Remaining tax due on excess	\$1,308.47

TIF Example 2: TIF parcel with a homestead exemption and the tax credit

Pursuant to Title 350 Nebraska Administrative Code Chapter 18, REG-18-003.03C, if the real property in a redevelopment project is granted a homestead exemption, the homestead exempt value shall apply to the base value first and any remaining homestead exempt value shall apply to the excess value. The division of the homestead tax loss reimbursement shall be proportionate to the homestead exempt value determined for the base value and excess value.

TIF parcel's base value	5,000
TIF parcel's excess value	70,000
TIF parcel's total value	75,000
Homestead exempt value	74,000
TIF parcel's taxable value after homestead	1,000

Homestead exempt value allocated to base	5,000
Homestead exempt value allocated to excess	69,000

Tax rate	1.95% or .0195
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Tax due prior to homestead	\$1,462.50 (75,000 x .0195)
Tax exempt due to homestead	\$1,443.00 (74,000 x .0195)
Tax due after homestead	\$ 19.50 (1,000 x .0195)
Tax Credit	\$ 60.57 (75,000 x .0008076 rate of relief)
Tax Credit used to reduce tax to 0	\$ 19.50 (lesser of 19.50 or 60.57)
Tax due after homestead & tax credit	\$ 0.00 (19.50 minus 19.50)
"Unused" Tax Credit to State Treasurer	\$ 41.07 (60.57 minus 19.50)

ALLOCATION OF TIF TAXES FOR BASE & EXCESS

Tax due allocated to base value	\$ 97.50 (5,000 x .0195)
Homestead tax exempt allocated to base	\$ 97.50 (5,000 of 74,000 exempt value x .0195)
Remaining tax due allocated to base	\$ 0
Tax credit allocated to base value	\$ 4.04 (5,000 x .0008076 rate of relief)
"Unused" Tax Credit to State Treasurer	\$ 4.04

Tax due allocated to excess value	\$1,365.00 (70,000 x .0195)
Homestead tax exempt allocated to excess	\$1,345.50 (69,000 of 74,000 exempt value x .0195)
Remaining tax due allocated to excess	\$ 19.50
Tax credit allocated to excess value	\$ 56.53 (70,000 x .0008076 rate of relief)
Tax Credit used to reduce tax due to 0	\$ 19.50 (lesser of 19.50 or 56.53)
"Unused" Tax Credit to State Treasurer	\$ 37.03

Total "Unused" Credit to State Treasurer \$4.04 plus \$37.03 = \$41.07

Tax credit computations for property valued by the state or centrally assessed real property value of railroads and public service entities.

Counties use one of two methods to record the centrally assessed property on the tax list, either by “individual taxing subdivision” or by “consolidated tax district”.

Centrally Assessed Example 1 – tax credit for centrally assessed property recorded on the tax list by “individual taxing subdivision”

First, determine the “county taxing subdivision’s real property value” for the respective railroad branch line or public service entity. This is the real property value eligible for the credit. Then, multiply this countywide value for the company (e.g. railroad branch line or public service entity) by the state’s rate of relief to determine the total tax credit. The total credit shall then be apportioned to the respective individual taxing subdivisions based upon the company’s real property taxes levied computed for each subdivision compared to the total real property taxes levied for the company.

A centrally assessed company’s values are certified to the county by the state, as follows:

Subdivision:	Total Value	Real Value	Personal Value
County	11,530,984	9,431,100	2,099,884
School Dist. 1	8,593,054	7,322,632	1,630,422
School Dist. 2	2,577,930	2,108,468	469,462
Fire Dist. 1	8,593,054	7,322,632	1,630,422
Fire Dist. 2	2,577,930	2,108,468	469,462
City	347,469	284,192	63,277
Natural Resc. Dist.	11,530,984	9,431,100	2,099,884
Educ. Service Unit	11,530,984	9,431,100	2,099,884
Community College	11,530,984	9,431,100	2,099,884
Ag Society	11,530,984	9,431,100	2,099,884

Subdivision:	Real Property Value	Tax Rate per \$100 of value	Real Prop Taxes by subdivision	Subdiv. Real Prop Tax % of Total Real Prop Tax
County	9,431,100	.340	\$32,065.74	24.1497%
School Dist. 1	7,322,632	.900	65,903.69	49.6340%
School Dist. 2	2,108,468	1.05	22,138.91	16.6735%
Fire Dist. 1	7,322,632	.035	2,562.92	1.9302%
Fire Dist. 2	2,108,468	.025	527.12	.3970%
City	284,192	.285	809.95	.6100%
Natural Resc. Dist.	9,431,100	.023	2,169.15	1.6337%
Educ. Service Unit	9,431,100	.015	1,414.67	1.0654%
Community College	9,431,100	.050	4,715.55	3.5514%
Ag Society	9,431,100	.005	471.56	.3551%
Total Real Prop. Taxes			\$132,779.26	100.00%

The centrally assessed company's total tax credit for the county is determined as follows:

Company's real property value 9,431,100 x .0008076 rate of relief = \$7,616.56

The company's total tax credit is then apportioned to each individual taxing subdivision based upon the company's real property taxes levied by each subdivision compared to the total real property taxes levied for the company.

Subdivision	Subdiv. Real Prop Tax % of Total Real Prop Tax	Tax Credit Apportioned to each subdivision
County	24.1497%	\$1,839.38
School Dist. 1	49.6340%	3,780.40
School Dist. 2	16.6735%	1,269.95
Fire Dist. 1	1.9302%	147.01
Fire Dist. 2	.3970%	30.24
City	.6100%	46.46
Natural Resc. Dist.	1.6337%	124.43
Educ. Service Unit	1.0654%	81.15
Community College	3.5514%	270.49
Ag Society	.3551%	27.05
Total Tax Credit	100.00%	7,616.56

Centrally Assessed Example 2 – tax credit for centrally assessed property recorded on the tax list by “consolidated taxing district”

Consolidated:	Total Value	Real Value	Personal Value
Tax District 5	8,593,054	7,322,632	1,630,422
Tax District 10	2,577,930	2,108,468	469,462
Total Taxable Value	11,530,984	9,431,100	2,099,884

The tax credit is determined for the real property portion of value for each consolidated tax district as follows:

Tax District 1 Real property Value 7,322,632 x .0008076 rate of relief = \$ 5,913.76

Tax District 2 Real property Value 2,108,468 x .0008076 rate of relief = \$ 1,702.80

Company's Total Tax Credit = \$ 7,616.56

Reminder; if a centrally assessed company is 100 percent personal property they will not receive the tax credit.